



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

May 20, 2004

Report Number A-05-03-00099

Nelson J Sabatini, Secretary  
Maryland Department of Health and Mental Hygiene  
201 W. Preston Street  
Baltimore, Maryland 21201

Dear Mr. Sabatini:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General's final report entitled "Audit of Payments for Medicaid Services to Deceased Beneficiaries" for the period October 1, 1998 through September 30, 2001.

A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

To facilitate identification, please refer to report number A-05-03-00099 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson". The signature is written in a cursive style with a large initial "P".

Paul Swanson  
Regional Inspector General  
for Audit Services

Enclosures – as stated

**Direct Reply to HHS Action Official:**

Associate Regional Administrator  
Centers for Medicare and Medicaid Services, Region III  
Division of Medicaid and State Operations  
150 S. Independence Mall West, Suite 218 C  
Philadelphia, Pennsylvania 19106-3499

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF PAYMENTS FOR  
MEDICAID SERVICES TO  
DECEASED BENEFICIARIES**

**OCTOBER 1, 1998 THROUGH  
SEPTEMBER 30, 2001**

**MARYLAND DEPARTMENT OF  
HEALTH AND MENTAL  
HYGIENE**



**MAY 2004  
A-05-03-00099**

# ***Office of Inspector General***

**<http://oig.hhs.gov>**

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# *Notices*

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## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **OBJECTIVE**

The objective of our review was to determine the amount of Medicaid overpayments resulting from providers billing for medical services for dates after the beneficiaries' death.

### **FINDING**

The Maryland Department of Health and Mental Hygiene (State agency) did not identify all of the payments to providers billing for medical services for dates after the beneficiaries' death. In a statistical sample of 100 paid claims with the beneficiaries' death within our audit period, we found 15 payments amounting to \$6,199 for services billed for Medicaid beneficiaries after their deaths. In a separate statistical sample of 100 paid claims with the beneficiary's death prior to our audit period, we identified four payments amounting to \$877 for services billed for Medicaid beneficiaries after their deaths. Based on the results of the first statistical sample, we estimate that unrecovered, unallowable payments were approximately \$940,000 (Federal share \$470,000). There were not enough errors in our second sample to make a statistical projection. The State agency failed to identify these claims for deceased beneficiaries and, consequently, unallowable payments were made to providers. Payments were made for services billed for dates after the beneficiaries' death, even though death certificates were on file at the Maryland Division of Vital Records.

### **RECOMMENDATIONS**

We recommend that the State agency:

- Recover the specifically identified overpayments of \$6,199 (Federal share \$3,100) for Medicaid services billed for dates after the beneficiaries' death, with dates of death within our audit period.
- Identify and recover additional overpayments, estimated to be \$940,000 (Federal share \$470,000), for Medicaid services billed for dates after the death of beneficiaries who died during our audit period.
- Recover overpayments of \$30,225 (Federal share \$15,113) associated with services billed for dates after the death of four beneficiaries, who died prior to our audit period.
- Improve methods of data matching to enhance identification of Medicaid deceased beneficiaries and to provide for the recovery of unallowable payments.

In a written response dated April 7, 2004, Maryland officials generally agreed with the recommendations and had initiated corrective actions. The response is summarized in the body of the report and is included in its entirety as Appendix B to the report.

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## INTRODUCTION

### BACKGROUND

The Medicaid program is jointly administered by the Federal Government through the Centers for Medicare & Medicaid Services (CMS) and by the States through their designated State agency. During fiscal year 2000, Federal and State spending for Medicaid services in Maryland totaled \$3 billion. Since more than two million people die in the United States each year, specific action to identify and delete these individuals from Medicaid eligibility files is required.

All reported deaths are routinely added to the Social Security Administration's (SSA) death files, which represent the most complete death records in the Federal Government. These records contain information on any person with a social security number. The SSA develops its data file from death certificate information purchased from State governments and from death notifications received from funeral homes, friends, and family and it uses the information to stop social security payments to people reported to be deceased. This information is available to State and Federal agencies to help prevent payments for services provided after death.

In Maryland, the State agency currently obtains a data file listing deceased individuals from the Division of Vital Records. Each month the data file is matched to a State agency file containing data on eligible Medicaid beneficiaries. However, prior to 2001, the files were not matched to determine if Medicaid eligible individuals had died. Overpayments associated with deceased individuals are adjusted through the State's claims processing system upon discovery of the overpayment.

### OBJECTIVE, SCOPE AND METHODOLOGY

**Objective.** The objective of our audit was to determine the amount of Medicaid overpayments resulting from payments to providers for medical services billed for dates after the beneficiaries' death.

**Scope.** For the period October 1, 1998 through September 30, 2001, we matched Medicaid beneficiary names, social security numbers and birth dates to corresponding data for deceased individuals from the SSA death files. For Medicaid eligible beneficiaries identified as deceased, we determined the amounts paid for services in the month after their deaths through September 30, 2001. We identified 15,265 paid claims, totaling \$6.7 million, for deceased beneficiaries with dates of death during the audit period and reviewed a statistical sample of 100 medical service payments amounting to approximately \$29,000.

We also identified an additional 144,201 paid claims, totaling \$45.4 million, for deceased beneficiaries with dates of death prior to October 1, 1998 and reviewed a statistical sample of 100 medical service payments amounting to approximately \$42,250. Because there were not a sufficient numbers of errors in our statistical sample, we could not

project the results to the additional claims universe. Instead, we reviewed all additional claims for services billed for dates in the audit period for four beneficiaries who died prior to October 1, 1998. Details of our sampling methodology are presented in Appendix A.

We did not review the overall internal control structure of the State agency's Medicaid program. Our internal control review was limited to obtaining an understanding of its procedures to identify payments for services to deceased individuals and to recover the overpayments.

**Methodology.** For each of the 200 claims, we determined whether the State agency had made recoveries. If not, we reviewed the claim to establish that it was a payment for services billed for dates after the death of the beneficiary. Using data from the State agency's Medicaid Management Information System (MMIS), we verified that the individuals listed in the SSA death files were, in fact, the individuals for whom the Medicaid payments were made. We confirmed dates of death with data provided by the Division of Vital Records. We also verified dates of death using data on the Medicare common working file.

We performed our audit work at the State agency's offices in Baltimore, Maryland. The fieldwork was conducted from September 2003 through December 2003.

Our audit was conducted in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

The State agency did not identify and adjust all payments to providers for medical services billed for dates after the beneficiaries' death. In a statistical sample of 100 paid claims for beneficiaries with deaths within our audit period, we found 15 payments amounting to \$6,199 that were for services billed for dates after the beneficiaries' deaths. Based on the results of the statistical sample, we estimate that unrecovered, unallowable payments were approximately \$940,000 (Federal share \$470,000). In a separate statistical sample of 100 paid claims for beneficiaries with deaths prior to our audit period, there were not enough errors to make a statistical projection. For the four beneficiaries with deaths prior to our audit period, we identified the services billed after death and within the period October 1, 1998 through September 30, 2001. The total unallowable payments amounted to \$30,225 (Federal share \$15,113). Payments were made even though the majority of the beneficiaries had death certificates on file at the Maryland Division of Vital Records.

The following table summarizes the results of our review of 100 claims with dates of death during the audit period.

<b>Disposition</b>	<b>Claims #</b>	<b>Result of review</b>
Unadjusted – Overpayment	14	Deceased - Death certificate verification
Unadjusted – Overpayment	1	Deceased - Other verification
Adjusted - No overpayment	24	Deceased - Identified by State and Recovered
Adjustment not required	50	Not deceased - Error in MMIS or SSA data
Adjustment not required	11	Not deceased - No verification of death

As indicated in the table, 39 claims were improperly paid, with 15 that were not adjusted. The State agency appropriately identified and adjusted 24 claims for services billed for dates after the death of the Medicaid beneficiary. No adjustments were needed for the 61 claims associated with beneficiaries who were not deceased. Additional details by table category follow.

**Unadjusted Payments for Services Billed for Dates After Death.** Dates of death for individuals associated with the 15 unadjusted overpayments were verified through death certificates and State Medicaid records. State agency officials indicated that data matches to identify deceased Medicaid beneficiaries did not begin until after our audit period.

**Adjusted Payments for Services Provided to Deceased Beneficiaries.** The State agency identified and made adjustments for 24 of the 100 paid claims with deaths within our audit period. During this period, the State agency did not match Division of Vital Records to the State agency Medicaid eligibility records to determine if providers were paid for claims associated with services to deceased Medicaid beneficiaries. However, the State agency's files listed the individuals associated with these claims as deceased. Overpayments associated with deceased individuals were adjusted through the State's claims processing system upon discovery of the overpayment.

**Adjustments Not Required - Error in MMIS or SSA Data.** We determined that data on the MMIS or SSA files for 50 claims contained discrepancies in death information and that the beneficiaries were alive. Six claims had incorrect social security numbers in the MMIS records. The incorrect social security numbers were often the result of keying errors. Errors were also attributed to social security numbers that were associated with the spouse or a relative and not the Medicaid beneficiary receiving the services. No adjustments were required for the claims associated with these beneficiaries.

**Adjustments Not Required - No Verification of Death.** We were unable to conclusively determine the deceased status for 8 beneficiaries associated with 11 claims. The SSA death tapes indicated the individuals were deceased, but no supporting documentation was available from State eligibility files, Medicare common working files, or other Federal sources. We considered these claims allowable payments for eligible Medicaid beneficiaries.

## **Criteria**

The Code of Federal Regulations Title 42, Part 433 states that an overpayment is the amount paid by a Medicaid agency to a provider that is in excess of the amount that is allowable for furnished services. In our opinion, eligible services cannot be provided after the Medicaid beneficiary's death.

## **Inadequate File Matching and Updating Death Information**

We attribute these unadjusted overpayments to inadequate matching of Division of Vital Records data files and State agency Medicaid eligibility files. We identified payments for services after death even though beneficiaries were classified as deceased in the State's eligibility files. We do believe that the current system of monthly matches with Vital Records data should significantly reduce the number of overpayments.

## **Error Projection**

Based on our projection of the errors to the universe of paid claims for beneficiaries dying during the period October 1998 to December 2001, we estimate that the unrecovered, unallowable Medicaid payments amount to approximately \$940,000 (Federal share \$470,000). The State agency should identify and recover these overpayments for Medicaid services billed for dates after the beneficiaries' death.

## **Additional Analysis - Overpayments for Deaths Prior to Audit Period**

Although our statistical sampling policy would not allow us to project the results of our second sample to the universe of audit payments subsequent to the beneficiary's death, we quantified the total improper payment for four deceased beneficiaries identified in our sample review. For the four beneficiaries dying prior to October 1, 1998, we are questioning \$30,225 for claims paid during the audit period. We determined that there were 138 paid claims for services billed for dates after the month of death. We are questioning the total amount of overpayments associated with these four individuals.

## **RECOMMENDATIONS**

We recommend that the State agency:

- Recover the identified overpayments of \$6,199 (Federal share \$3,100) for Medicaid services billed for dates after the death of beneficiaries, who died during the audit period.
- Identify and recover additional overpayments, estimated to be \$940,000 (Federal share \$470,000), for Medicaid services billed for dates after the death of beneficiaries, who died during our audit period.

- Recover overpayments of \$30,225 (Federal share \$15,113) associated with services billed for dates after the death of four beneficiaries, who died prior to our audit period.
- Improve methods of data matching to enhance identification of Medicaid deceased beneficiaries and to provide for the recovery of unallowable payments.

## **STATE AGENCY COMMENTS AND OIG RESPONSE**

Maryland officials generally agreed with the recommendations and had initiated corrective actions. The State agency disagreed with the reported date of their implementation of death matching to paid claims. Our reference to 2002 as the start of State agency screening for the death of Medicaid eligible individuals was changed to 2001. The response is included in its entirety as Appendix B to the report.

## **APPENDICES**

## **SAMPLING METHODOLOGY**

### **POPULATION**

The population consisted of paid claims for services to Medicaid eligible beneficiaries that were billed for dates in the month after death. The claims were for services billed during the period of November 1998 through September 2001. The universe consisted of 159,466 paid claims, totaling \$52,062,159.

The sample frame consists of two strata, one containing 15,265 claims, totaling \$6,705,966, and a second containing 144,201 claims, totaling \$45,356,193.

### **SAMPLE DESIGN**

A stratified sample consisting of two strata was used for this review. These strata represent paid claims for beneficiaries with deaths within the audit period October 1, 1998 through September 30, 2001 and prior to the audit period, respectively. The Random Number Generator through the *OAS Statistical Sampling Software RATS-STATS* was used to select the random sample.

### **RESULTS OF SAMPLE**

The results of our review for the 1<sup>st</sup> stratum are, as follows:

<b>Number Of Claims</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Errors</b>	<b>Value of Errors</b>
15,265	100	\$29,077	15	\$6,199

The point estimate of the sample was \$946,277 with a lower limit at the 90% confidence interval of \$205,335.

The results of our review for the 2nd stratum are, as follows:

<b>Number Of Claims</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Errors</b>	<b>Value of Errors</b>
144,201	100	\$42,268	4	\$877

The number of errors in the second stratum was not sufficient to make a statistical projection based on our statistical sampling policies and procedures.



**Maryland Department of Health and Mental Hygiene**  
**201 W. Preston Street • Baltimore, Maryland 21201**

Robert L. Ehrlich, Jr., Governor - Michael S. Steele, Lt. Governor - Nelson J. Sabatini, Secretary

April 7, 2004

**Mr. Paul Swanson**  
**Office of the Inspector General, Region V**  
**U.S. Department of Health and Human Services**  
**Office of Audit Services**  
**233 North Michigan Avenue**  
**Chicago, Illinois 60601**

**RE: Response to Draft OIG Report**  
**Department of Health and Mental Hygiene**  
**Audit of Payments for Medical Services to Deceased Beneficiaries**  
**Report Number A-05-03-00099**

**Dear Mr. Swanson:**

Thank you for permitting the Department of Health and Mental Hygiene (Department) to review your draft report issued subsequent to your audit of the above referenced matter. In this letter we would like to present some additional facts, discuss the recommendations and comment on actions the Department has taken to enhance our efforts to identify and recover Medicaid payments for Medicaid services to deceased beneficiaries.

The draft report states that prior to 2002 the Department did not match deceased individuals per the Division of Vital Records against files containing data on eligible Medicaid beneficiaries. This statement is not correct. The Department's Division of Hospital and Physician Services, SURS Control Unit developed a report on April 5, 2001 to search for Medicaid recipients who were reported on acute inpatient hospital claims as deceased and matched them against Medicaid paid claims for the period of August 1999 through February 2001. This process identified 1,391 deceased recipients resulting in a recovery of \$164,325.83. Furthermore, in December 2001 the Department established a monthly data match of the files of the Division of Vital Records and Maryland Medicaid files.

The draft report recommends that the Department recover the identified overpayments of \$6,199 (Federal share \$3,100) for Medicaid services billed for dates after the beneficiaries death, with dates of death within the audit period. By September

2003 the Department recovered these overpayments through the Departments claims processing system (MMIS) and returned the federal fund share.

The draft report recommends the recovery of overpayments in the estimated amount of \$940,000 (Federal share \$470,000) for Medicaid services billed for dates after the death of beneficiaries who died during the audit period based on the sample utilized in the audit. The Department does not disagree that Medicaid services were billed for dates after the death of beneficiaries; however, the Department has the ability to confirm the death of beneficiaries through the Division of Vital Records and identify erroneous payments made during the period of October 1, 1998 through September 30, 2001. By identifying actual payments, the Department will be able to recoup the payment from the provider to which it was paid. The recoupment of erroneous payments to the provider will eliminate the necessity for the State to use general funds when returning the federal fund share. Finally, the Department has been persistent in identifying overpayments for deceased beneficiaries. Overpayments relating to this recommendation may have already been recovered and the federal fund share returned since the completion of the audit. The Department has requested ad-hoc reports from MMIS to document the recoveries. Any recoveries that have occurred after the completion of the audit will reduce the recommended recovery amount. The Department requests that you provide the file in which your sample was extracted so that overpayments can be identified. Using this file the Department will confirm the date of death through the Division of Vital Records, identify "actual" overpayments, recoup overpayments from the provider and return the federal fund share (for the period of October 1, 1998 through September 30, 2001).

The draft report recommends that the Department recover the overpayments of \$30,225 (Federal share \$15,113) associated with services billed for dates after the death of four beneficiaries, who died prior to the audit period. The Department has reviewed these overpayments and has determined that \$19,153.41 was recovered by November 2003 through the Departments claims processing system (MMIS), and the federal fund share returned. It was also determined that \$2,440.76 represented payment for a beneficiary enrolled in a MCO (Prudential HealthCare) that was terminated in June 1999. The remaining overpayments of \$8,630.81 are included in archived files which are not readily available for review to determine if recoveries have already occurred. The Department will continue the review of these overpayments and will return the federal fund share of any outstanding overpayments.

The final recommendation of the draft report recommends that the Department improve methods of data matching. Currently the Department performs a monthly data match run between Maryland Medicaid files and the Division of Vital Records files. Any unallowable payments are recovered through the claims processing system (MMIS) and the federal fund share is returned. The Department has requested authorization from the Department of Human Resources to allow the Department's dedicated staff to update the CARES eligibility system. This will allow the Department the ability to terminate eligibility with the confirmation of death. The timely termination of eligibility will

eliminate the need to retroactively recoup erroneous overpayments to MCO's. Also the Department has obtained a 'B' agreement with the Social Security Administration allowing access to SSA's current benefit and demographic data. When reviewing benefit information if it is found that a client is deceased, the Department can immediately terminate payment to the MCO. Finally, the Department is pursuing the possibility of obtaining death information from the Social Security Administration and Washington D.C. to identify those beneficiaries who die outside of Maryland.

I hope this letter has addressed your concerns. If you would like to discuss this further, please contact William Watts of my staff at (410) 767- 5203.

Sincerely,



Nelson J. Sabatini  
Secretary

cc: John Folkemer  
Audrey Richardson  
James Miller  
William Watts  
Tom Russell  
Elwood Hall